



# **Town of Avon Tax Rate Classification Fiscal Year 2015**

**Report to the  
Avon Board of Selectmen  
By the  
Avon Board of Assessors  
November 6, 2014**

# Purpose

- The Board of Selectmen determines the allocation of the local tax burden to be borne by the four classes of real property for Fiscal Year 2015.
- Selectmen must adopt a residential factor which is used to determine the percentage of the tax levy to apply to each class of real and personal property.
- The Board of Assessors applies these percentages to the individual property classes (M.G.L. Chapter 40, section 56).
- The Selectmen must also vote to adopt or reject an exemption for:
  - Residential properties (Residential Exemption)
  - Commercial properties (Small Commercial Exemption)
  - Open Space properties (Open Space Discount).
- The Assessors are to provide the Selectmen with all relevant information, and to discuss the fiscal effect of possible alternatives.

# Total Assessed Value for Fiscal Year 2015

- The total Taxable Value for FY2015 is \$755,550,788. The total valuation from FY2014 to FY2015 increased by 0.8%. The breakdown by class is:

• Residential:	0.1%
• Commercial:	2.8%
• Industrial	-0.2%
• Personal Property	4.6%

## Total Assessed Value for Fiscal Year 2015

- Residential values were very stable and the very slight increase was from minor data changes and new construction.
- Commercial Values were affected by new construction
- Industrial Values slight decrease was from data changes.
- Market rents for both classes also factor in market value were stable for calendar year 2013.
- Personal Property Values were affected by a couple of new accounts that brought in new value. This year as opposed to last year, the new accounts were higher than any accounts that were no longer active.

## Total Assessed Value for Fiscal Year 2015

- The increase in value, mainly for new growth, in the Commercial/Industrial and Personal Property helps the FY2015 Tax Rate for all classes of property. With additional value, especially within the Commercial, Industrial and Personal property classes, this provides a natural shift that helps ease the tax burden for those classes.

# Taxable Levy FY2015

• <b>Amount to be Raised by Town Meeting Votes:</b>	<b>\$22,619,405</b>
• Cherry Sheet Offsets:	\$1,067,808
• State and County Cherry Sheet Charges:	\$166,640
• Overlay:	\$400,000
• <b>Total Amount to be Raised:</b>	<b>\$24,253,853</b>
• <b>Receipts:</b>	
• Cherry Sheet Receipts:	\$2,689,704
• Local Receipts:	\$1,692,000
• Free Cash:	\$1,396,158
• Other Available Funds:	\$285,665
• <b>Total Estimated Receipts:</b>	<b>\$6,063,527</b>
• <b>FY2015 Real and Personal Property Tax Levy:</b>	<b>\$18,190,326</b>

# Tax Rate

- For illustration purposes only, the Uniform Tax Rate for the Town of Avon for FY2015 would be:
- $\$18,190,326 / \$755,550,788 = 0.02408$
- OR
- \$24.08 per thousand dollars of assessed valuations

# Residential Factor

- State law permits the town to adopt a residential factor less than 1, which would have the effect of increasing the commercial, industrial, and personal property tax rates and decreasing the residential tax rate.
- The DOR also determines the minimum residential factor as outlined in M.G.L. Chapter 200. This year's calculation has determined the Town of Avon's minimum residential factor to be 65.0%.
- The Board of Selectmen is responsible to choose the Residential Factor the town will use each fiscal year.



# Allowable Tax Shift for FY15

- The Town of Avon has traditionally chosen a factor less than one. The following shows what the factors have been for the last 10 years

FY2014	67.5%
FY2013	66.5%
FY2012	65.0%
FY2011	65.0%
FY2010	65.0%
FY2009	65.0%
FY2008	65.0%
FY2007	65.42%
FY2006	65.0%
FY2005	65.0%

# Open Space Discount

- The Town of Avon at this time has no land that has been classified as open space.

# Residential Exemption

- This mechanism provides for the redistribution of the tax levy among residential property owners, solely within the Residential Class (Class 1).
- Subtracting a standard dollar amount ( a percentage of the average Class 1 value) from every qualifying owner-occupied residential property;
- Recalculating the class 1 tax levy based on the new total of the Class 1 taxable value. The Class 1 tax levy must remain unchanged before and after this calculation.
- The selected percentage to calculate the standard qualifying assessed value reduction can be from 0 to 20%.
- *Only fourteen cities and towns in the Commonwealth use the Residential Exemption, generally large urban areas with a high number of income producing multi-family homes or resort communities with a high number of second (seasonal) homes.*
- The Town of Avon has very few multi-family income producing properties and virtually no second (seasonal) homes. The Board of Assessors would recommend that the Residential Exemption not be adopted for FY2015.

# Small Commercial Exemption

- A small commercial exemption of up to 10% may be granted to qualifying commercial (Class 3) properties if:
- The property is valued less than \$1,000,000
- All the businesses occupying the property have 10 or fewer employees on average, in the last calendar year, as certified by the Commissioner of Employment & Training;
- And the building is fully occupied (no vacancies).
- Any savings from this exemption are available only to commercial properties and the cost would be borne within the commercial (Class 3) and Industrial (Class 4)

## Small Commercial Exemption

- Currently of the qualifying commercial properties in Avon
- 18 have filed an application for the exemption for FY2015.
- Using the maximum of 10% the potential total exemption amount for those properties would be \$438,282 in value.
- After the reduction in value to those properties the commercial and industrial tax rate would increase five cents over the personal property rate which is not affected.
- The Town of Avon has been granting this exemption for many years. The Board of Assessors would recommend that the town continues to grant this exemption.

## Excess Levy Capacity

- All of the potential options using and an overlay of around \$400,000 shows an Excess Levy capacity of around \$341,600. Not using this money does not affect next year's levy limit. The starting number in calculating the FY2016 Levy Limit will be \$16,806,085.

## Excess Levy Capacity

- The Town of Avon ranked 334th out of the 351 Communities in the percentage of levy limit to levy ceiling. Many of the communities that are approaching or have reached their levy ceiling as being their levy limit, have been carrying larger amounts of excess levy capacity. By doing this, if the day comes where they reach the levy ceiling, they still have room to avoid making major cuts in their budgets immediately.

# Final Statement of the Board of Assessors

- The Board of Assessors is only responsible to give the Board of Selectmen the information they need to make an informed choice.
- The Board of Assessors has in the past, chosen to recommend the factor used from FY2005 to FY2012 of 65.0%.
- This year the Board of Assessors based on where the Board of Selectmen have been going over the last two years, recommends a factor of 68.0%.
- By choosing this factor, the tax rate for each class increases around the same amount, 46 cents for Residential and 41 cents for Commercial Industrial.
- Last year the Residential rate rose \$1.26 while the Commercial, Industrial and Personal Property rate rose \$2.03.